

**SIT (BUY)****1Q21 Results Above Expectations and Higher Guidance**

Vs. our estimates	Above	In Line	Below
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**Results.** The key points of results were:

- **Revenues up 26.2%.** SIT reported better-than-expected revenues in 1Q21: the Heating division increased by 25%, sustained by fiscal incentives to replace old boilers and by the ongoing production normalisation after the lockdowns. Italy was up 23%, Europe 14% (with a strong Turkey, up 38%) and the US 44% (58% at constant forex rate) thanks to the booming trend of direct heating and water storage, which benefits from the rebound already evident in the second half of 2020. Gas Smart Metering was stable, contrary to our decline expectation, but increased by 30% thanks to the consolidation of Janz, which contributed with EUR 4.8M in sales. Gas Metering backlog was EUR 31.4M, of which EUR 2.1M in foreign markets. Altogether, sales should reach EUR 92.7M with an increase by 26.2% (+19.4% lfl);
- **EBITDA margin reached 16.2% vs. 12.1% in 1Q19**, thanks to: 1) the volume impact for EUR 6.7M, which also includes the contribution of Janz, 2) positive price impact (EUR 1.8M), 3) a favourable comparison as March-20 was penalised by the shutdown of SIT's plants; and 4) lower raw material costs despite the recent raw material price hike that should impact the coming quarters;
- **Net result at EUR 8.0M (+92%),** also thanks to a positive tax contribution of EUR 1.8M, due to the fiscal benefits coming from the Patent Box. Net result on an adjusted basis was EUR 7.4M, still up by 90% vs. 1Q20;
- **Net debt up to EUR 101M** (from EUR 115.8M at Dec-20), much lower than expected also thanks to the reduction of NWC now at 14.2% of sales vs. 19.7% at Mar-20 despite the consolidation of Janz (EUR 6M NWC) and higher inventories to support the higher sales outlook. Capex was EUR 3.9M, in line with our expectations;
- **Outlook upgraded:** SIT increased its sales outlook for 2021, which now points to a low double-digit growth rate vs. the mid/high single-digit rate expected before, while EBITDA should increase in absolute terms (vs. a flat guidance announced before) or slightly decrease in margin due to rising raw material prices, higher R&D investments, new hirings at the Heating division and costs for travelling and

**SIT - Key Data**

13/05/2021	Engineering		
Target Price (EUR)	11.1		
Rating	BUY		
Mkt price (EUR)	7.54		
Mkt cap (EUR M)	189		
Main Metrics (€ M)	2021E	2022E	2023E
Revenues	339.9	356.9	369.6
EBITDA	45.73	49.44	52.30
EPS (EUR)	0.61	0.61	0.65
Net debt/-cash	110.8	89.12	76.51
Ratios (x)	2021E	2022E	2023E
Adj. P/E	12.4	12.3	11.5
EV/EBITDA	6.5	5.6	5.1
EV/EBIT	15.2	13.3	11.6
Debt/EBITDA	2.4	1.8	1.5
Div yield (%)	4.0	4.6	5.3
Performance (%)	1M	3M	12M
Absolute	0.5	14.2	74.9
Rel. to FTSE IT All Sh	0.3	9.0	25.3

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to SIT

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exhibitions if travel restrictions were to end, partially offset by further production efficiencies stemming from the new plant in Tunisia.

**What we think:** Overall, 1Q21 results were well-above expectations, confirming the strong trend of the heating business and the resilience of the Metering business, and the guidance was upgraded. **We plan to fine-tune our FY21 forecasts and, in the meantime, we confirm our positive stance on the stock.**

#### SIT - 1Q21A results

EUR M	1Q20A	FY20A	1Q21A	1Q21E	1Q A/E %	1Q yoy %	FY21E
Revenues	73.4	320.7	92.7	86.0	7.8	26.2	339.9
o/w Heating	56.4	249.0	70.5	66.0	6.8	25.0	273.9
o/w Smart Metering	16.4	68.6	21.3	19.0	11.9	30.0	66.0
<b>EBITDA Adj.</b>	<b>8.9</b>	<b>44.6</b>	<b>15.1</b>	<b>13.1</b>	<b>14.9</b>	<b>69.0</b>	<b>45.7</b>
<b>EBITDA margin (%)</b>	<b>12.1</b>	<b>13.9</b>	<b>16.2</b>	<b>15.2</b>			<b>13.5</b>
EBIT	3.3	19.6	9.2	7.1	30.0	180.8	19.7
EBIT margin (%)	4.5	6.1	10.0	8.3			5.8
Pre-tax	4.9	16.0	7.7	6.4	20.7	57.2	16.9
<b>Net Result attr.</b>	<b>4.2</b>	<b>13.2</b>	<b>8.0</b>	<b>5.7</b>	<b>40.1</b>	<b>91.7</b>	<b>15.2</b>
<b>Net result adjusted</b>	<b>3.9</b>	<b>13.4</b>	<b>7.4</b>	<b>5.7</b>	<b>29.8</b>	<b>89.7</b>	<b>15.2</b>
Net debt	101.6	115.8	101.4	123.00	-17.6	-0.2	110.8

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research